



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

DRAFT

Date:	04/30/14	Bill No:	Assembly Bill 2234
Tax Program:	Property	Author:	Ting
Sponsor:	Author	Code Sections:	GC 51640, 15643, and 15645
Related Bills:		Effective Date:	01/01/15

BILL SUMMARY

Among other things, this bill reduces the time the State Board of Equalization (BOE) has to issue a county assessment practices survey report from 2 years to 9 months.

Summary of Amendments

Since the previous analysis, this bill was amended to (1) delete a proposed change that would have increased the current 5-year cycle to a 7-year survey cycle, (2) provide for an initial transition period to the proposed 9-month requirement, and (3) require that survey recommendations provide examples of other counties' practices.

ANALYSIS

CURRENT LAW

The law requires the BOE to perform specific duties related to state oversight of local property tax administration. Specifically, the law requires the BOE to make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the assessor in the valuation of property.¹

Survey Cycle. The law requires the BOE to survey the assessment procedures and practices of each county as rapidly as feasible and repeat or supplement each survey at least once in 5 years.²

Written Reports. The law requires the BOE, upon completion of the survey of the procedures and practices of a county assessor, to prepare a written survey report setting forth its findings and recommendations. Before preparing its written survey report, the BOE must meet with the assessor to discuss and confer on those matters which may be included in the written survey report. Existing law requires the BOE to issue the final survey report within 2 years after the date the BOE begins the survey.³

Appraisal Appeal Rights. Current law requires the BOE to provide a right to each county assessor to appeal BOE appraisals (i.e., sample appraisals⁴) made within his or her county where differences have not been resolved before completion of a field review.⁵

¹ Chapter 2, "Surveys of Local Assessment Practices" commencing with Government Code (GC) §15640

² GC §15643

³ GC §15645

⁴ In some cases, surveys include a statistical sample of the property assessments. BOE appraisers independently value the selected properties to compare the BOE estimate of value to the county's value.

⁵ GC §15640(f)

PROPOSED LAW

Survey Cycle. This bill eliminates the requirement to proceed with the surveys as rapidly as feasible and instead, requires the BOE to complete each survey within 3 months after the date the BOE began the survey.

Written Report. This bill shortens the period of time permitted for BOE to issue the final survey report from 2 years to 9 months after the date the BOE began the survey. The bill provides a gradual transition to 9 months depending on the year the survey was started, as specified. The bill also requires the BOE to:

- include in the written survey report the comparative practices of other counties that the county assessor may adopt; and
- meet with the *former* assessor whose administration is being reviewed prior to publishing its written survey report when appropriate.

Appraisal Appeal Rights. This bill also requires the BOE, when appropriate, to provide a right to each *former* county assessor whose administration is being reviewed to appeal the BOE appraisals made within his or her county.

BACKGROUND

Once every five years, BOE staff examines all 58 county assessor's offices, which is known as a "survey." BOE appraisers and auditor-appraisers conduct onsite field audits of each county to review the procedures and practices the assessor uses to value property and administer the property tax.

Surveys. In the survey, the BOE audits each assessor's compliance with the laws. The written report details staff's findings and recommends areas of improvement. In some cases, the law requires the BOE's survey to include a "sampling" of assessments in the county.

Sampling. BOE selects a statistically representative sample of property types and BOE appraisers independently value the selected properties. The BOE's results are then compared to the assessor's results.

COMMENTS

1. **Sponsor and Purpose.** The author, formerly the Assessor-Recorder of the City and County of San Francisco, is sponsoring this bill to accelerate the release of a survey report and allow former assessors whose administration is being reviewed an opportunity to provide input.
2. **The April 30, 2014 amendments** delete a proposed change to (1) lengthen the survey cycle from 5 to 7 years, (2) provide for an initial transition period to the proposed 9-month requirement depending on the survey start date, and (3) require survey recommendations to provide examples of other counties' practices.
3. **San Francisco's Assessment Practices Survey Report.** The BOE issued the [survey report](#), after the assessor took office in the Assembly. The former assessor expressed concern regarding his lack of ability to provide input on the survey report before its publication.
4. **Completing written surveys within nine months presents a challenge.** The bill shortens the time to complete the written survey report from two years to nine months. This represents a 62.5% reduction in the time allotted. Furthermore, it establishes a three month period from start to finish in which the BOE must complete

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the onsite field survey work at the assessor's office – no such limitation presently exists. While three months is typically sufficient for staff to complete the onsite survey work, the bill prohibits BOE staff from returning to the assessor's office should the need arise for further investigation. It is important to note that at any given time 22 surveys are in process. The BOE staff does not and can not focus solely on one county for two years. The current five year survey cycle requires that BOE staff be involved in county audits in various stages of investigation, as well as in the interdepartmental and external review process. The volume of county audits in various investigative stages, the interdepartmental and external review process, and the need to accommodate assessors in order to limit disruption during their peak work period necessitates the current 24 month window to issue all written reports.

5. **To complete the surveys in the time allotted with existing staff resources would require the BOE to curtail the audit's scope and depth.** An additional survey team is needed to meet the compressed schedule and expand the survey to include comparative county information. Historically, to staff the survey teams the BOE hired journey-level employees from a candidate pool consisting of county assessor staff from the surrounding Sacramento areas. However, BOE's ability to hire journey level staff has severely diminished because the state's compensation package is no longer competitive with packages offered by counties. Thus, even if funds are provided for additional staff, hiring the journey level staff necessary to audit counties presents a challenge.
6. **The BOE and the California Assessors' Association have an existing process dedicated to improving the survey process.** An ad hoc committee is in place that collaboratively works on continual improvements and refinements. For instance, in the recent year, BOE staff and assessors have agreed to reformat the survey report to create a more streamlined report, create a master document detailing proper assessment practices, and developed a questionnaire for the assessor to complete in advance of the audit that is field-check verified.
7. **Impact on assessor office operations.** Presently, the BOE attempts to minimize disruption by scheduling around assessor-peak workload periods. The proposed reduced timeframe will not permit the BOE to be flexible in scheduling. Smaller counties will be particularly impacted due to the smaller staff.
8. **Comparing county practices likely adds little value.** Expending resources to compare and contrast counties may not be the most effective use of resources. The BOE seeks statewide uniformity. The value of comparing counties to each other in an audit process is unclear. To that end, resources are better spent providing guidance that applies to all counties. Counties and the BOE have formal and informal ways to consult with each other and compare procedures, such as: an assessor e-forum, conferences (assessors, chief appraisers, auditor-appraisers, etc.), training and education programs, and BOE staff dedicated to assisting assessor staff. This routine and ongoing interaction occurs without the need for a statutory requirement.
9. **While a report may take 24 months to publish, assessors address identified issues prior to the final published report.** The fact that a report may take 24 months to publish does not accurately reflect how soon the survey results in positive impact. BOE staff and assessor interaction in the field and the exit interview is a key

part of the survey process. For this reason many recommendations are adopted prior to the publication date.

10. **Discussion of rights conferred on former county assessors.** The bill gives the former county assessor the right to appeal BOE appraisals of sample assessments. However, for at least 20 years, no assessor has sought to appeal a sample assessment. If a county is within acceptable statistical tolerances, there is no compelling need to appeal individual sample appraisals. It is unclear if this bill gives the former county assessor the right to meet with the BOE to discuss what will be included in the report. As written, the bill could be read to allow BOE exclusive discretion in determining whether a meeting is appropriate to discuss the survey report with the former county assessor. In addition, the bill does not give a former county assessor whose administration is being reviewed the right to prepare a written response that is included in the report.

COST ESTIMATE

The BOE requires additional staff to complete each survey in nine months within the existing 5-year cycle and expand the survey to include comparative county information. These staffing costs are estimated to be \$1.2 million dollars in the first year and \$1.6 million annually thereafter.

REVENUE ESTIMATE

This bill does not impact property tax revenues.

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